



**STATE OF NEW MEXICO
PUBLIC REGULATION COMMISSION**

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2015

atkinson

PRECISE. PERSONAL. PROACTIVE.

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State of New Mexico
Public Regulation Commission

OFFICIAL ROSTER

June 30, 2015

COMMISSIONERS

Karen L. Montoya	Chair
Lynda Lovejoy	Vice-Chair
Valerie Espinoza	Commissioner
Patrick H. Lyons	Commissioner
Sandy Jones	Commissioner

ADMINISTRATIVE OFFICIALS

S. Vincent Martinez	Chief of Staff/Chief Financial Officer
John Standefer	State Fire Marshal
Patrick Lopez	Director, Legal
Bryan E. Brock	Director, Transportation
Michael C. Smith	Deputy Chief of Staff, Office of General Counsel
William Hermann	Director, Hearing Examiners
Dwight Lamberson	Director, Utility



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Public Regulation Commissioners
State of New Mexico
Public Regulation Commission
and
Mr. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the General Fund and Major Special Revenue Funds of the State of New Mexico Public Regulation Commission (the Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. We have also audited the financial statements of each of the Commission's non-major governmental and fiduciary funds, including the budgetary comparisons of the non-major funds, presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons of the General Fund and Major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary fund of the Commission as of June 30, 2015, and the respective changes in the financial position and the respective budgetary comparisons for the non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B1, the financial statements of the Commission are intended to present the financial position and changes in financial position, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2015, and the changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note J, the State of New Mexico, as a single employer, has implemented GASB 68, *Accounting and Financial Report for Pensions*, in the June 30, 2015, Comprehensive Annual Financial Reports (CAFR). Accordingly, there is no allocation of the proportionate share of net pension liability to individual agencies or to the Agency's governmental funds. All other required footnotes and other disclosures required by Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, combining and individual fund financial statements, and respective budgetary comparisons that collectively comprise the Commission's basic financial statements. The combining balance sheet – all agency funds, and combining schedule of changes in fiduciary assets and liabilities – all agency funds listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

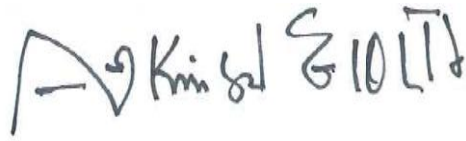
The combining balance sheet – all agency funds, combining schedule of changes in fiduciary assets and liabilities – all agency funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – all agency funds, combining schedule of changes in fiduciary assets and liabilities – all agency funds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedule of vendor information, required by 2.2.2 NMAC, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the

results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
December 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2015

The State of New Mexico Public Regulation Commission's (Commission or NMPRC) discussion and analysis provides the reader of the financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2015. The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments*, and related GASB statements, which established financial reporting requirements for state and local governments throughout the United States. The requirements were developed by GASB to make annual reports more comprehensive and easier to understand and use.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and current facts, it should be read in conjunction with the Commission's financial statements.

The Basic Financial Statements

In compliance with requirements of accounting principles generally accepted in the U.S. (GAAP), the Commission's basic financial statements include the:

- Government-wide financial statements;
- Fund financial statements;
- Budget comparison statements;
- Notes to the financial statements.

In accordance with 2.2.2 New Mexico Administrative Code (NMAC) Section 2.2.2.10 A. (2)(d), the audit opinion also covers additional information consisting of:

- Combining fund financial statements.

The MD&A is included as required supplementary information (RSI).

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a corporate-like manner. These statements report information about the overall government without displaying individual funds or fund types. They distinguish between governmental activities and business-type activities. The Commission does not have any business-type activities.

The focus of the Statement of Net Position is designed to be similar to a bottom line for the Commission and its governmental activities. The statement combines and consolidates governmental funds' current financial resources (short-term available resources) with capital assets and long term liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

Government-Wide Financial Statements - Continued

The Statement of Activities is focused on activities that are provided by the Commission's general and other revenues. This is intended to summarize and simplify the users' analysis of the cost of services.

The Governmental Activities section reflects the Commission's basic service, including Policy and Regulations and Public Safety.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on major funds, rather than fund types.

The governmental Major Fund Financial Statements are presented on a sources and uses of liquid resource basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Financial Statement allows the demonstration of sources and uses and budgeting compliance associated therein.

The Fund Financial Statements also allow the government to address its Agency Funds. While these Funds represent trust responsibilities of government, these assets are held in a custodial purpose and do not represent discretionary assets of the government. These assets, therefore, are not presented as part of the Government-Wide Financial Statements.

Combining and Individual Fund Financial Statements

Consistent with the Commission's financial reports in prior years, combining and individual fund financial statements are also included in the report. These statements are presented on the same basis as fund financial statements, but are not grouped by fund type.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 24 through 44 of this report.

Budgetary Comparisons

In addition to MD&A, GASB 34 requires budgetary comparison schedules for the General Fund and for each Major Special Revenue Fund that has a legally adopted annual budget to be presented. The budgetary comparison schedules present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis.

State of New Mexico
Public Regulation Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

Budgetary Comparisons - Continued

As required by the Office of the State Auditor under 2.2.2 NMAC, the Statements of Revenues and Expenditures-Budget and Actual are also presented for the General and Major Special Revenue Funds that are part of the basic financial statements. The budget comparison information for all other funds is included as supplemental information. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Commission's Net Position

<u>NET POSITION</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
ASSETS			
<i>Government activities</i>			
Current and other assets	\$ 10,660,424	\$ 9,750,090	\$ 910,334
Capital assets	<u>2,125,549</u>	<u>2,560,885</u>	<u>(435,336)</u>
Total assets	<u>\$ 12,785,973</u>	<u>\$ 12,310,975</u>	<u>\$ 474,998</u>
LIABILITIES			
Current liabilities	<u>\$ 2,237,435</u>	<u>\$ 1,880,588</u>	<u>\$ 356,847</u>
Total liabilities	<u>2,237,435</u>	<u>1,880,588</u>	<u>356,847</u>
DEFERRED INFLOWS	<u>-</u>	<u>225,708</u>	<u>(225,708)</u>
NET POSITION			
Net investment in capital assets	2,125,549	2,560,885	(435,336)
Restricted for special projects	9,057,400	7,926,887	1,130,513
Unrestricted	<u>(634,411)</u>	<u>(283,093)</u>	<u>(351,318)</u>
Total net position	<u>10,548,538</u>	<u>10,204,679</u>	<u>343,859</u>
Total liabilities and net position	<u>\$ 12,785,973</u>	<u>\$ 12,310,975</u>	<u>\$ 474,998</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Discussion of Statement of Net Position

Deducting total liabilities, deferred inflows and outflows from total assets derives the Net position. Deferred inflows in fiscal year 2014 in the amount of \$225,708 were collected in the Pipeline Safety Fee Fund for operational costs in fiscal year 2015. The overall Net position increased by \$343,589 over fiscal year 2014.

Current assets consist mostly of assets due from external parties-agency funds in the amount of \$7,635,215 (Due from the Fire Protection Fund) and investments with the State Treasurer of \$2,449,111; federal grants receivable of \$569,511 and receivables from other state agencies in the amount of \$6,587.

The Commission reports balances in three categories of net position; (1) invested in capital assets; (2) restricted for special purposes and (3) unrestricted. The invested in capital assets balance is positive, but the unrestricted balance is negative due to compensated absences reported on the government-wide financial statements.

Restricted net position increased due to increases in investments held with the State Treasurer.

The unrestricted deficit balance was increased by \$351,318 mostly due to a negative in change in fund balance in the general fund (55000).

Capital Asset Administration

The decrease in capital assets of \$435,336 is due to depreciation expense recorded in the current fiscal year, partially offset by new purchases of machinery and equipment of \$20,020.

Liabilities

Current liabilities of \$2,237,435 consists primarily of accounts payable of \$155,577, i.e., amounts that the Commission is obligated to pay; accrued salaries and benefits payable \$184,233; unearned federal revenue \$22,501; reversions due to the State General Fund \$990,639; and other liabilities of \$378,808. The estimated portion of compensated absence liabilities due in one year is \$505,677.

Employees can receive compensation for a maximum of 240 hours upon severance.

Long-Term Debt

The Commission has no long-term debt outstanding.

State of New Mexico
Public Regulation Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED

Commission's Statement of Activities

<u>STATEMENTS OF ACTIVITIES</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
<i>Government activities</i>			
Operating grants and contributions	\$ 1,029,314	\$ 1,124,056	\$ (94,742)
Investment income	1,570	1,137	433
Charges for services	712,245	1,181,129	(468,884)
General Fund appropriations	7,727,100	7,534,100	193,000
Other financing sources	12,470,709	11,193,488	1,277,221
Other	<u>(167,441)</u>	<u>(13,999)</u>	<u>(153,442)</u>
 Total revenue	 21,773,497	 21,019,911	 753,586
 Program expenses	 20,400,471	 18,009,403	 2,391,068
Other financing uses	<u>1,029,167</u>	<u>1,843,309</u>	<u>(814,142)</u>
 Total expense	 <u>21,429,638</u>	 <u>19,852,712</u>	 <u>1,576,926</u>
 Change in net position	 343,859	 1,167,199	 (823,340)
 Net position, beginning of year	 <u>10,204,679</u>	 <u>9,037,480</u>	 <u>1,167,199</u>
 Net position, end of year	 <u>\$ 10,548,538</u>	 <u>\$ 10,204,679</u>	 <u>\$ 343,859</u>

For more detailed information, see the Statement of Activities and the Statement of Net Position.

Discussion of Statement of Activities

This statement shows the components that increased, in the aggregate, the Commission's net position by \$343,589 during the year. In the government-wide financials, revenues from other financing sources increased \$1,277,221 due to an increase in transfers into the General, Fire Protection Grant, and Pipeline Safety Funds from agency funds. The transfers in the General Fund served to reimburse the costs of Public Safety program expenses as well as administrative costs for Policy and Regulation and Program Support programs provided in the General Fund. Overall total revenues increased by \$753,586 and total expenses increased by \$1,577,196 due to increases in overall operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

THE COMMISSION'S FUNDS

The Commission's Individual Governmental Funds

As of year-end, the governmental funds, as presented on the balance sheet, reported a combined fund balance of \$8,928,665, for a net increase over the prior fiscal period of \$773,325. The combined fund balance comes from the Fire Protection Grant Fund \$7,325,241, Firefighter Use Fee Fund \$1,153,467, Pipeline Safety Fund \$43,679, and Non-major Government Funds of \$717,406.

The General Fund is the Commission's operating fund where all operational expenses reside. The General Fund revenues increased \$139,360, other financing sources increased \$293,473 and expenditures increased \$744,001 as compared to the previous year due to overall increase in operations and filling of vacancies in personnel.

The Fire Protection Grant Fund revenues are transferred from the Fire Protection Fund and used to provide grants of up to \$100,000 to fire departments in need of fire service support equipment. This fund collected \$1,570 in interest income and other financing sources transfers from the fire protection fund in the amount of \$7,325,241. Expenses incurred in this fund total \$6,004,369 primarily from grant awards to fire departments.

The Pipeline Safety Fund is a fund that collects revenues used to support the Pipeline Safety Bureau by an assessment determined in May of each year to all gas consumers and pipeline distributors in the state. Revenues collected in fiscal year 2015 were \$337,206. Other financing sources and uses combined for \$(45,000), which was the state portion of expenditures in the Pipeline Safety Bureau in fiscal year 2015.

The Firefighter Use Fee Fund is revenue collected from the firefighter-training courses taught at the Firefighter Training Academy in Socorro, NM. These funds can be budgeted for emergency maintenance expenses that may arise with live fire-training courses provided at this facility. The fiscal year 2015 revenues collected were \$110,585 with no expenditures incurred in this fund.

Non-major Governmental Funds at the PRC are the Fire Safer Cigarette Fund and the Reproduction Fund. The Fire Safer Cigarette funds are used for State Fire Marshal staff equipment and training materials used at all elementary schools for fire training awareness and the Reproduction Funds are used in the NMPRC General Fund for general operations. Revenues collected in fiscal year 2015 were \$30,352 with other financing sources (uses) netting to \$(49,412), therefore decreasing the fund balance in this area by \$19,060.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

THE COMMISSION'S FUNDS - CONTINUED

General Fund Highlights

In the General Fund, the final budgeted expenditures increased from the prior fiscal year by \$744,001. The Commission has continued to manage its operations that were set upon by this Commission in spite of the increase in its case load and vacancy factors.

Currently Known Factors

The New Mexico Public Regulation Commission successfully completed transition of the Insurance Division to a stand-alone agency and transfer of the Corporations Bureau to the Office of the Secretary of State in FY2014, as mandated by passage of constitutional amendments by the New Mexico voters in November 2013.

In FY2015, NMPRC's completed a full year of operation without these entities. NMPRC used its FY2015 operating budget and program transfer authority up to \$400,000 to fill critical vacant positions, train staff and increase participation in regulatory functions within its Utility, Transportation and Legal Divisions and to meet programmatic needs.

The Commission continues to experience an increase in the number of utility case filings that are more voluminous, complex and contentious due to the new regulatory demands of the Federal Energy Regulatory Commission (FERC), North American Electric Reliability Corporation (NERC), Environmental Protection Agency (EPA) and legislatively-mandated renewable/energy efficiency programs in the state. The Commission finds budgetary constraints limit its ability to hire and maintain highly qualified staff. In spite of its budgetary constraints in FY2015, the Commission achieved significant results in each of its practice areas. NMPRC Utility and Legal Divisions handled the adjudication of the largest utility case file with the Commission, the Public Service Company of New Mexico "San Juan Abandonment" case, in addition to 384 other filings related to utility and transportation. The Pipeline Safety Bureau, Fire Fighters Academy and State Fire Marshal's Office logged close to 15,000 hours in the field and over 128,000 contact training hours in FY2015.

The NMPRC has worked diligently to maintain its strong financial controls over the last seven years. This work includes the implementation of policies to reduce audit findings. The findings reported in the FY2015 financial audit are findings that are of a nature that should not be repeated.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2015

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, legislators, investors, and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Services Division Director in Room 335 of the PERA Building, 1120 Paseo de Peralta, P. O. Box 1269, Santa Fe, New Mexico, 7502-1269 or visit the Commission website at www.nmprc.com.

State of New Mexico
Public Regulation Commission

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Investments, State Treasurer Investment Pool	\$ 2,449,111
Due from external parties-agency funds	7,635,215
Due from Federal government	569,511
Due from other state agencies	6,587
Other receivables	<u>-</u>
 Total current assets	 10,660,424
 Capital assets, net	 <u>2,125,549</u>
 Total assets	 12,785,973
LIABILITIES	
Accounts payable	155,577
Accrued payroll	184,233
Unearned revenue	22,501
Other liabilities	378,808
Due to State General Fund	990,639
Compensated absences due in one year	<u>505,677</u>
 Total current liabilities	 <u>2,237,435</u>
 Total liabilities	 2,237,435
NET POSITION	
Net investment in capital assets	2,125,549
Restricted for special purposes	9,057,400
Unrestricted (deficit)	<u>(634,411)</u>
 Total net position	 <u><u>\$ 10,548,538</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

	Policy and Regulation	Public Safety	Agency Support	Total Governmental Activities
PROGRAM EXPENSES	\$ (7,433,086)	\$ (11,201,866)	\$ (1,765,519)	\$ (20,400,471)
PROGRAM REVENUES				
Operating grants	-	1,029,314	-	1,029,314
Charges for services	712,245	-	-	712,245
Net program revenue (expense)	\$ (6,720,841)	\$ (10,172,552)	\$ (1,765,519)	(18,658,912)
GENERAL REVENUES				
Transfers - General Fund appropriations				7,727,100
Transfers - State General Fund reversions - 2015 FY				(1,029,167)
Transfers, net				12,470,709
Loss on disposal of capital assets				(167,441)
Interest income				1,570
Total general revenues				19,002,771
Change in net position				343,859
Net position, beginning of year				10,204,679
Net position, end of year				\$ 10,548,538

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2015

	General Fund - 55000	Fire Protection Grant Fund - 56900	Pipeline Safety Fund - 37700	Firefighters Use Fee Fund - 09300	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Current Assets						
Investments, State Treasurer Investment Pool	\$ 504,601	\$ 68,952	\$ 5,273	\$ 1,153,467	\$ 716,818	\$ 2,449,111
Due from other funds	-	-	38,406	-	588	38,994
Due from external parties-agency funds	-	7,635,215	-	-	-	7,635,215
Due from federal government	569,511	-	-	-	-	569,511
Due from other state agencies	6,587	-	-	-	-	6,587
Other receivables	-	-	-	-	-	-
Total assets	<u>\$ 1,080,699</u>	<u>\$ 7,704,167</u>	<u>\$ 43,679</u>	<u>\$ 1,153,467</u>	<u>\$ 717,406</u>	<u>\$ 10,699,418</u>
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 155,459	\$ 118	\$ -	\$ -	\$ -	\$ 155,577
Accrued payroll	184,233	-	-	-	-	184,233
Unearned revenue	22,501	-	-	-	-	22,501
Other liabilities	-	378,808	-	-	-	378,808
Due to other funds	38,995	-	-	-	-	38,995
Due to State General Fund	990,639	-	-	-	-	990,639
Total liabilities	1,391,827	378,926	-	-	-	1,770,753
FUND BALANCES						
Spendable						
Restricted	-	7,325,241	43,679	1,153,467	535,013	9,057,400
Assigned	-	-	-	-	182,393	182,393
Unassigned	(311,128)	-	-	-	-	(311,128)
Total fund balances	<u>(311,128)</u>	<u>7,325,241</u>	<u>43,679</u>	<u>1,153,467</u>	<u>717,406</u>	<u>8,928,665</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,080,699</u>	<u>\$ 7,704,167</u>	<u>\$ 43,679</u>	<u>\$ 1,153,467</u>	<u>\$ 717,406</u>	<u>\$ 10,699,418</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS**

For the year ended June 30, 2015

Fund balance - total governmental funds		\$ 8,928,665
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Governmental capital assets	8,601,258	
Accumulated depreciation	<u>(6,475,709)</u>	
		2,125,549
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Compensated absences		<u>(505,676)</u>
Net position of governmental activities (Statement of Net Position)		<u>\$ 10,548,538</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the year ended June 30, 2015

	General Fund - 55000	Fire Protection Grant Fund - 56900	Pipeline Safety Fund - 37700	Firefighters Use Fee Fund - 09300	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Other fees	\$ 234,102	\$ -	\$ 337,206	\$ 110,585	\$ 30,352	\$ 712,245
Interest income	-	1,570	-	-	-	1,570
Federal grant revenue	1,029,314	-	-	-	-	1,029,314
Total revenues	1,263,416	1,570	337,206	110,585	30,352	1,743,129
EXPENDITURES						
Current:						
Personal services	11,928,158	-	-	-	-	11,928,158
Contractual services	571,433	-	-	-	-	571,433
Other costs	1,614,466	6,004,369	-	-	-	7,618,835
Capital outlay	20,020	-	-	-	-	20,020
Total expenditures	14,134,077	6,004,369	-	-	-	20,138,446
(Deficiency) excess of revenues over expenditures	(12,870,661)	(6,002,799)	337,206	110,585	30,352	(18,395,317)
OTHER FINANCING SOURCES (USES)						
General Fund appropriations	7,727,100	-	-	-	-	7,727,100
Reversions to the State General Fund	(1,029,167)	-	-	-	-	(1,029,167)
Transfers in	5,861,600	7,635,215	38,406	-	588	13,535,809
Transfers out	-	-	(970,100)	(45,000)	(50,000)	(1,065,100)
Total other financing sources (uses)	12,559,533	7,635,215	(931,694)	(45,000)	(49,412)	19,168,642
Net change in fund balances	(311,128)	1,632,416	(594,488)	65,585	(19,060)	773,325
FUND BALANCES - beginning of year	-	5,692,825	638,167	1,087,882	736,466	8,155,340
FUND BALANCES - end of year	<u>\$ (311,128)</u>	<u>\$ 7,325,241</u>	<u>\$ 43,679</u>	<u>\$ 1,153,467</u>	<u>\$ 717,406</u>	<u>\$ 8,928,665</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS**

For the year ended June 30, 2015

Net change in fund balances - total governmental funds		\$	773,325
Amounts reported for Governmental Activities in the Statement of Activities are different because:			
Loss on disposal of capital assets	(167,441)		
Capital outlay	20,020		
Depreciation expense	<u>(287,915)</u>		
Change in capital assets			(435,336)
Change in compensated absences			<u>5,870</u>
Change in net position of governmental activities (Statement of Activities)		\$	<u>343,859</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND (SHARE 55000)**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund and special appropriations	\$ 7,727,100	\$ 7,727,100	\$ 7,727,100	\$ -
Other financing sources	6,071,700	6,399,300	5,861,600	(537,700)
Federal funds	813,500	1,081,508	1,029,314	(52,194)
Oher Fees	-	-	234,102	234,102
	14,612,300	15,207,908	14,852,116	(355,792)
Expenditures:				
Personal services	11,835,400	12,225,000	11,928,158	296,842
Contractual services	643,100	665,500	571,433	94,067
Operating costs	2,133,800	2,317,408	1,634,486	682,922
	14,612,300	15,207,908	14,134,077	1,073,831
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	718,039	\$ 718,039
Reversions			(1,029,167)	
Change in fund balance per GAAP			\$ (311,128)	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
FIRE PROTECTION GRANT FUND (SHARE 56900)**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other financing sources	\$ -	\$ 6,040,000	\$ 7,635,215	\$ 1,595,215
Investment Income	-	-	1,570	1,570
Total revenues	-	<u>\$ 6,040,000</u>	7,636,785	1,596,785
Expenditures:				
Personal services	-	\$ -	-	-
Contractual services	-	30,000	-	30,000
Other	-	6,010,000	6,004,369	5,631
Total expenditures	-	<u>\$ 6,040,000</u>	6,004,369	35,631
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ 1,632,416</u>	<u>\$ 1,632,416</u>
Fund balance carryforward	<u>5,692,825</u>	<u>5,692,825</u>		
Total	<u>\$ 5,692,825</u>	<u>\$ 5,692,825</u>		

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
PIPELINE SAFETY FUND (SHARE 37700)**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other fees	\$ -	\$ -	\$ 337,206	\$ 337,206
Other financing sources	1,020,300	1,070,100	38,406	(1,031,694)
Total revenues	1,020,300	1,070,100	375,612	(694,488)
Expenditures:				
Other financing uses	1,020,300	1,070,100	970,100	100,000
Excess (deficiency) of revenues over expenditures	-	-	\$ (594,488)	\$ (594,488)
Fund balance carryforward	638,167	638,167		
Total	\$ 638,167	\$ 638,167		

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
FIREFIGHTERS USE FEE FUND (SHARE 09300)**

For the year ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Other financing sources	\$ -	\$ 45,000	\$ 110,585	\$ 65,585
Expenditures:				
Other financing uses	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ 65,585</u>	<u>\$ 65,585</u>
Fund balance carryforward	<u>1,087,882</u>	<u>1,087,882</u>		
Total	<u>\$ 1,087,882</u>	<u>\$ 1,087,882</u>		

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Public Regulation Commission

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS

June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Investments, State Treasurer Investment Pool	\$ 79,015,621
Due from other state agencies	<u>18,866,700</u>
Total assets	<u><u>\$ 97,882,321</u></u>
LIABILITIES	
Due to State General Fund	\$ 15,156,473
Due to local governments	49,899
Due to external parties	7,635,215
Due to other state agencies	2,117,845
Undistributed receipts	24,839,951
Accounts payable	48,079,615
Other liabilities	<u>3,323</u>
Total liabilities	<u><u>\$ 97,882,321</u></u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A – HISTORY AND FUNCTION

The State of New Mexico Public Regulation Commission (Commission or NMPRC), created by Article XI of the State Constitution, is a five member commission whose members are elected from districts provided by law for staggered four-year terms.

The Commission has responsibility for regulating public utilities, including electric, natural gas and water companies; transportation companies, including common and contract carriers; transmission and pipeline companies, including telephone, telegraph and information transmission companies; and other public service companies in such a manner as the Legislature provides.

The Commission promotes public safety through the offices of State Fire Marshal, the Firefighter Training Academy, and Pipeline Safety Bureau.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the U.S. (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body of establishing governmental accounting and financial reporting principles. The most significant of the Commission's accounting policies are described below:

1. Reporting Entity

GAAP defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and a financial benefit or burden relationship is present, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government".

A primary government is any state government or general purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Commission, therefore, is part of the primary government of the State of New Mexico, and its financial data is included with the financial data of the State.

All of the programs that are administered and/or controlled by the Commission have been included. The Commission has no component units.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basic Financial Statements

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The Commission only has governmental activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations and excludes internal activity.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function which consists of grants and fees.

The net cost by function is normally covered by general revenue. Historically, the previous model did not summarize or present net cost by function or activity. The Commission does not employ indirect cost allocation in the financial statements.

As to fund financial statements, emphasis is on the major funds of the governmental category. Nonmajor funds are summarized into a single column. The Commission's major funds are the General Fund, Fire Protection Grant Fund, Pipeline Safety Fund, and Firefighters Use Fee Fund.

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Commission's actual experience conforms with the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The Commission's fiduciary funds are agency funds and are presented in the Statement of Fiduciary Net Position. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the governmental or government-wide statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basic Financial Statements – Continued

Any internal activity between funds is eliminated for government-wide financial statements.

The financial transactions of the Commission are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The following fund types are used by the Commission:

Governmental Funds

General Fund. The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Pipeline Safety Fund. This major fund accounts for fees collected pursuant to Subsection D of 70-3-21 NMSA 1978, appropriations, gifts, grants, donations, and earnings from investment of the fund. Balances in the fund at year-end do not revert to the General Fund. The purpose of the fund is for enhancing the staffing and training of Pipeline Safety Bureau for the inspection function of interstate and intrastate pipelines. (SHARE #37700)

Fire Protection Grant Fund. This major fund accounts for the collection of transfers, appropriations, gifts, grants, donations, and bequests to the Fire Protection Grant Fund. Money in the fund is appropriated to the Fire Protection Grant Council for the purpose of making distributions approved by the council for the critical needs of municipal and county fire districts. The fund was created by and is not reverting per Section 59A-53-18 NMSA 1978. (SHARE Fund #56900)

Firefighters Use Fee Fund. This major fund accounts for fees paid by non-state fire fighters that are used for the fire fighters Training Academy. This fund is non-reverting. (SHARE Fund #09300)

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basic Financial Statements – Continued

Fiduciary Fund Types

Agency Funds. Agency Funds are used to account for assets held by the Commission as an agent for individuals, private organizations, other governments, and/or other funds. The Commission only has agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

3. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus that applies.

The Government-wide Financial Statements and the Fiduciary Financial Statements are presented on an accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred and all other eligibility requirements are met.

Monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. Revenues collected for future periods are considered to be deferred inflows of resources until available. All other revenues are recognized when they are received and are not susceptible to accrual.

Program revenues consist of federal grants. Charges for services consist primarily of fees charged to regulated entities.

Expenditures are recorded as liabilities when incurred. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources. The current portion of the compensated absences liability is not included in the fund financial statements because the State of New Mexico does not budget for compensated absences in the current year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Accounting – Continued

In applying the “susceptible to accrual” concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and unearned revenue by the recipient.

4. Budgetary Accounting

The State Legislature makes annual appropriations to the Commission, which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (modified accrual-basis) and a financial control system, which permits a budget to actual expenditure comparison. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

The budget is adopted on a modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline that must be paid out of next year’s budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Commission has not included such reconciliation for fiscal year 2015 as all payables were paid by the statutory deadline.

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

No later than September 1 of each year, the Commission submits to the State Budget Division (SBD) of the New Mexico Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. Copies are also sent to the Legislative Finance Committee (LFC). The report submitted by the Commission also details revenues and expenditures or expenses for the preceding year. The budget for the General Administrative Fund is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of the next year’s budget.

The appropriation request includes proposed expenditures and the means of financing them. It is reviewed by the SBD and additional information is obtained, if needed. Agency budgets are consolidated, with revisions, and submitted as a tentative budget to the Governor of the State. The Governor’s approved appropriation request is then submitted to the Legislature as the recommended appropriation request for the Commission.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Budgetary Accounting – Continued

Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated in the General Appropriations Act.

The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

The Commission submits, no later than May 1st to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The SBD reviews and approves the operating budget, which becomes effective on July 1st. All subsequent budget adjustments must be approved by the Director of the SBD and the Legislative Finance Committee. The budget for the current year was adjusted in a legal manner.

Legal budget control for expenditures is by category of appropriation program level. All of the Commission's governmental funds were budgeted that had significant activity. Agency funds are not budgeted.

Appropriations of the Commission's General Fund lapse at the end of the fiscal year.

The Commission's General Fund, Fire Protection Fund, and Special Corporations Fee Fund, wholly or partially revert to the State General Fund; the other governmental and fiduciary funds are non-reverting funds.

5. Cash and Cash Equivalents

Interest in the pooled cash on deposit with the State Treasurer's Office (STO) is considered cash and cash equivalents.

6. Receivables

Interest on investments is recorded as revenue in the year the interest is earned. No allowance for doubtful accounts has been recorded as management estimates that all amounts are collectible.

7. Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds."

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Capital Assets

Property, plant and equipment purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. Assets are carried at historical cost or estimated historical cost, software is capitalized with the related equipment. Contributed assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives with no salvage value:

	<u>Years</u>
Building improvements	50
Machinery and equipment	5-20
Land improvements	15-20
Buildings	25-45

9. Fund Balances

In the governmental fund financial statements, the Commission classifies fund balances into spendable and non-spendable classifications. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact until expended for its restricted purpose. The Commission has no non-spendable fund balances as of June 30, 2015.

The spendable classifications are detailed below:

Restricted Fund Balances

In the governmental fund financial statements, *restrictions* of fund balance are reported when constraints placed on the use of resources are either: (1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Based on the criteria above, the Commission reports restricted funds totaling \$9,057,400 as of June 30, 2015.

Committed Fund Balances

In the governmental fund financial statements *committed* fund balances are reported when amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (both Legislative and Executive branches through formal action). The Commission had no *committed* fund balances as of June 30, 2015.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Fund Balances - Continued

Assigned Fund Balances

In the governmental fund financial statements, *assigned* fund balances are reported when amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Commission had *assigned* fund balances in the Reproduction Fund (SHARE 47700) totaling \$182,393 as of June 30, 2015.

Unassigned Fund Balances

In the governmental fund financial statements, *unassigned* fund balances are reported to reflect residual fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The Commission has no *unassigned* fund balances as of June 30, 2015. Generally, the Commission would first apply committed resources when an expense is incurred for purposes for which either committed or unassigned fund balances are available.

10. Net Position

The government-wide fund financial statements utilize a net position presentation. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources, and deferred inflows of resources for the Commission. Deferred inflows of resources for the year ended June 30, 2015 consist of fees collected for the subsequent fiscal year's operations. The Commission had no deferred outflows of resources for the year ended June 30, 2015. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The Commission did not have any related debt during the year ended June 30, 2015.

Restricted Net Position – net position should be reported as restricted when constraints placed on net asset use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Net Position - Continued

- Enabling legislation must be legally enforceable. Legal enforceability means that a government can be compelled by an external party - such as citizens, public interest groups or the judiciary – to use resources only for the purposes specified by the legislation.

The amount of net position restricted by enabling legislation is \$9,057,400 at June 30, 2015.

Unrestricted Deficit – represents the deficit of total assets over total liabilities and net position invested in capital assets at June 30, 2015.

The Commission allocates expenses to restricted or unrestricted resources based on the budgeted source of funds, which generally means restricted resources have been spent first.

11. Compensated Absences

Vested or accumulated vacation leave and vested sick leave are reported in the entity-wide financial statements, since they are not expected to be liquidated with expendable available financial resources. No current expenditures are reported in the General Fund financial statements for these amounts.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

13. Procurement Schedule

There were no procurements for FY2015 meeting the requirements for disclosure.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE C – CASH AND INVESTMENTS

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. At June 30, 2015, the Commission had \$81,464,732 invested in the State Treasurer's General Fund Investment Pool (SGFIP).

The Commission has adopted policies and procedures to mitigate the risk of misstatement in the Commission's interest in the State General Fund Investment Pool (see Note O). These include:

The Commission does a batch process for all cash that is collected and deposited. These batches are generated by staff within each division that collects revenues. The batches are verified by the supervisors of each division and then sent down to Administrative Services Division (ASD) for deposit. The batches are then verified by ASD staff to ensure that the checks in each batch match the batch report. The ASD supervisor will then verify deposits entered into SHARE to ensure that the amount equals for each batch and are entered into correct fund and account documentation is retained for all transactions. Expenditure support is retained for all transactions. Due to these compensating controls, the Commission believes the value of its share of the GFIP at June 30, 2015, materially approximates \$81,464,732, including agency funds.

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2015.

The following is a summary of the Commission's interest in the State Treasurer General Fund Investment Pool:

State of New Mexico
Public Regulation Commission

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE C – CASH AND INVESTMENTS – CONTINUED

	Book Balance	Treasurer Balance
General Fund		
Operating Account	\$ 504,601	\$ 504,601
Special Revenue Funds		
Fire Protection Grant Fund	68,952	68,952
Firefighters Use Fee Fund	1,153,467	1,153,467
Fire Safer Cigarette and Fire Protection Fund	535,013	535,013
Reproduction Fund	181,805	181,805
Pipeline Safety Fund	5,273	5,273
Total Special Revenue Funds	1,944,510	1,944,510
Agency Funds		
Firefighters Survivors Fund	56,771	56,771
Fire Protection Fund	76,837,682	76,837,682
Motor Transportation Fund	2,121,168	2,121,168
Total Agency Funds	79,015,621	79,015,621
Total Investments, State Treasurer	\$ 81,464,732	\$ 81,464,732

NOTE D – DUE FROM AND DUE TO OTHER FUNDS

Due from and due to other funds represent interfund receivables and payables arising from interdepartmental transfers primarily due to statutory requirements for transferring funds collected by one fund and expended by another. These are routine transactions that occur monthly or annually. These amounts have been eliminated on the government-wide financial statements. Amounts reported as due to and from external parties represent internal balances between governmental funds and agency funds. Agency funds are excluded from governmental funds and governmental-wide financial statements.

	55000 General Fund
<u>Due From Other Funds</u>	
37700 Pipeline Safety	\$ 38,406
47700 Reproduction Fund	588
Total	\$ 38,994

State of New Mexico
Public Regulation Commission

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE D – DUE FROM AND DUE TO OTHER FUNDS – CONTINUED

	Due to External Parties
	57800
	Protection
<u>Due From External Parties</u>	<u>Agency Fund</u>
56900 Fire Protection Grant Fund	\$ 7,635,215
Total	\$ 7,635,215

NOTE E – CAPITAL ASSETS

The capital asset activity for the year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Depreciable Assets				
Land improvements	\$ 958,172	\$ -	\$ (57,000)	\$ 901,172
Buildings	2,333,787	-	(215,000)	2,118,787
Machinery and equipment	5,719,309	20,020	(299,230)	5,440,099
Building improvements	141,200	-	-	141,200
Total at historical cost	9,152,468	20,020	(571,230)	8,601,258
Accumulated depreciation				
Land improvements	947,353	1,329	(57,000)	891,682
Buildings	1,090,987	48,388	(133,778)	1,005,597
Machinery and equipment	4,475,583	235,374	(213,011)	4,497,946
Building improvements	77,660	2,824	-	80,484
Total accumulated depreciation	6,591,583	287,915	(403,789)	6,475,709
Capital assets, net	\$ 2,560,885	\$ (267,895)	\$ (167,441)	\$ 2,125,549

Depreciation expense for the current year was \$287,915 and was related to the Public Safety Program.

State of New Mexico
Public Regulation Commission

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE F – COMPENSATED ABSENCES LIABILITY

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Payable Within 1 Year
Annual leave	\$ 498,880	\$ 508,858	\$ (518,641)	\$ 489,097	\$ 489,097
Sick leave	12,666	9,677	(5,764)	16,579	16,579
Total current liabilities	<u>\$ 511,546</u>	<u>\$ 518,535</u>	<u>\$ (524,405)</u>	<u>\$ 505,676</u>	<u>\$ 505,676</u>

The Commission estimates that all compensated absences will be paid within one year. Substantially all of the compensated absence balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year end, plus applicable payroll taxes.

The Commission's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

Qualified employees accumulate maximum annual leave as follows:

Years of Service	Hours Earned Per Pay Period	Days of Maximum Accrual
Up to 3 years	3.08	30
Over 3-7 years	3.69	30
Over 7-11 years	4.61	30
Over 11-15 years	5.54	30
Over 15 years	6.15	30

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the above maximums.

Accrued Sick Leave. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours, on July 1 and January 1 of each year. However, the sick leave will be paid at 50% of the employee's regular hourly wage.

At retirement, employees may receive 50% payment for up to 400 hours for the hours over 600 of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2015, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences.

State of New Mexico
Public Regulation Commission

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE G – DUE TO AND DUE FROM OTHER STATE AGENCIES

The following are short-term amounts owed between other state agencies and are classified as due to other state agencies:

	<u>Agency</u>	
<u>Due from Other State Agencies</u>		
<u>Agency Funds</u>		
Firefighters Survivors Fund (56400)		
NM Taxation & Revenue Department	333	750
Fire Protection Fund (57800)		
Office of the Superintendent of Insurance	440	<u>18,865,950</u>
Total Due From Other State Agencies		<u>\$ 18,866,700</u>
 <u>Due to Other State Agencies</u>		
<u>Agency Funds</u>		
Motor Transportation Fund (19000)		
Department of Transportation	805	<u>\$ 2,117,845</u>
Total Due To Other State Agencies		<u>\$ 2,117,845</u>

NOTE H – REVERSIONS

Unexpended and unencumbered cash balances of certain funds and the unexpended portion of special appropriations received during the fiscal year revert to the State General Fund at year end. Also, cash recoveries during the fiscal year from stale dated warrants are due to the State General Fund. Reversions due from State General and Insurance Operations Funds are comprised of the following at June 30, 2015:

	<u>General Fund</u> <u>430-55000</u>
Budget year 2015 reversions	<u>\$ 1,029,167</u>

State of New Mexico
Public Regulation Commission

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE I – OTHER FINANCING SOURCES AND USES

Other financing sources and uses consist of the following:

	Transfers	
	In	Out
Commission Operating Fund (#55000)	\$ 5,861,600	\$ -
Pipeline Safety Fund (#37700)	38,406	970,100
Reproduction Fund (#47700)	588	50,000
Firefighters Use Fee Fund (#09300)	-	45,000
Fire Protection Grant Fund (#56900)	7,635,215	-
Grand Total	\$ 13,535,809	\$ 1,065,100

The purpose of transfers from Agency Funds to the General Fund is to support policy and regulation, program support, and public safety programs pursuant to the General Appropriation Act.

The purpose of transfers into the Pipeline Safety and Reproduction Funds is to account for the excess of revenues over expenditures for the fiscal year that is to remain in these non-reverting funds. Transfers out of these funds are for the transfer of state appropriations to the General Fund to support the operation of the Funds’ programs pursuant to the General Appropriation Act.

The purpose of transfers from the Fire Protection Agency fund to the Fire Protection Grant fund is to make funds available for distribution to municipal and county fire districts in the succeeding year pursuant to State Statute 59A-53-5.2 NMSA 1978.

NOTE J – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Commission’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. That report is also available on PERA’s website at www.pera.state.nm.us.

Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers. Compliant with the requirements of Government Accounting Standards Board

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

**NOTE J – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION –
CONTINUED**

Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2015.

The Commission, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State, and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net position liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund of the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Funding Policy. Plan members are required to contribute 7.42%-8.92% of their gross salary. The Commission is required to contribute 16.59% of the gross covered salary. The contribution requirements of the plan members and the Commission are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Commission's employer contributions to PERA for the years ending June 30, 2015, 2014, and 2013 were \$1,322,259, \$1,217,167, and \$1,733,788, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE K – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description. The Commission contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care Act who retired

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE K – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan, plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0 % of their salary.

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Commission's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013, were \$155,733, \$146,988, and \$229,686, respectively, which equal the required contributions for each year.

NOTE L – RISK MANAGEMENT

The Commission, as a "State Agency" defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. The Commission pays annual premiums to the Risk Management Division for coverage provided in the following areas:

State of New Mexico
Public Regulation Commission

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE L – RISK MANAGEMENT – CONTINUED

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverage to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverage for State of New Mexico employees.

At June 30, 2015, the Commission had no claims exceeding policy coverage.

NOTE M – JOINT POWERS AGREEMENT AND MEMORANDUM OF UNDERSTANDING

The Office of the State Fire Marshal entered into an agreement with the New Mexico Energy, Minerals and Natural Resources Department (the financially accountable and audit responsible agency) for Waste Isolation Pilot Plant (WIPP) program activities on July 7, 1988. The agreement is to remain in effect perpetually, unless otherwise noted by either party or the Department of Energy.

The Office of the State Fire Marshal ensures local governments implement activities and address emergency response preparedness as it pertains to the transport of hazardous materials under the Waste Isolation Pilot Plant (WIPP) project. The costs of the projects are 100% funded by the Commission with the funds received by the Energy, Minerals, and Natural Resources Department. Each local government is the fiscal agent and has audit responsibility.

<u>Government</u>	<u>Local Contributions</u>	<u>Commission Description</u>
City of Artesia	\$ 7,000	Support regional response haz mat team
City of Albuquerque	7,000	Support regional response haz mat team
City of Carlsbad	7,000	Support regional response haz mat team
City of Hobbs	7,000	Support regional response haz mat team
City of Las Vegas	6,000	Support regional response haz mat team
City of Raton	7,000	Support regional response haz mat team
City of Roswell	7,000	Support regional response haz mat team
City of Santa Fe	7,000	Support regional response haz mat team
City of Vaughn	5,000	Support regional response haz mat team
Chaves County	11,000	Support first responder training
Colfax County	7,000	Support first responder training
Eddy County	5,000	Support first responder training
San Miguel County	7,000	Support first responder training
Santa Fe County	15,000	Support first responder training
Torrance County	7,000	Support first responder training
Total	\$ 112,000	

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE N – CONTINGENT LIABILITIES – CONTINUED

The Commission is a defendant in various lawsuits regarding regulatory matters and former employees. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Commission's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Commission.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor, if any, cannot be determined at this time, although the Commission expects such amounts to be immaterial.

NOTE O – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertions can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SGFIP will be honored in their entirety.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE P – NEW ACCOUNTING STANDARDS

GASB 72 – Fair Value Measurement and Application

This statement requires investments (a security or other asset that a government holds primarily for the purpose of income or profit and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash) to be measured at fair value. This statement establishes a hierarchy of inputs to valuation techniques, valuation of nonfinancial assets, and requires additional analysis of fair value in certain circumstances. This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement (these assets were previously required to be measured at fair value). The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for FY 2016.

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement requires the liability of employers to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The total OPEB liability generally is required to be determined through an actuarial valuation. Similar to the provisions of GASB 68, the employer is required to recognize a liability equal to the net OPEB liability, changes in the net OPEB liability that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB, and employer contributions subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources. Additional note disclosures and supplementary information will be required to be presented in the financial statements of the employer. GASB 75 is effective for FY 2018.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2015

NOTE P – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The requirements of this Statement are effective for FY 2016, and should be applied retroactively.

NOTE Q – SUBSEQUENT EVENTS

Events subsequent to June 30, 2015, have been evaluated by management through December 1, 2015, the date of the auditors' report. In the opinion of management, no events occurring after June 30, 2015, require adjustment to or disclosure in the financial statements.

State of New Mexico
Public Regulation Commission

GENERAL FUND - PROGRAMS AND PROJECTS

June 30, 2015

General Fund: The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. (SHARE Fund #55000)

For budget purposes, the General Fund is divided into the following programs and project:

Programs:

Policy and Regulation
Public Safety
Agency Support

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND (SHARE 55000) –
POLICY AND REGULATION (P611)**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund and special appropriations	\$ 6,424,500	\$ 6,444,500	\$ 6,444,500	\$ -
Other financing sources	615,700	1,024,100	791,300	(232,800)
Federal funds	-	-	-	-
	<u>7,040,200</u>	<u>7,468,600</u>	<u>7,235,800</u>	<u>(232,800)</u>
Total revenues				
Expenditures:				
Personal services	6,369,000	6,900,400	6,899,996	404
Contractual services	104,700	112,100	94,535	17,565
Operating costs	566,500	456,100	438,555	17,545
	<u>7,040,200</u>	<u>7,468,600</u>	<u>7,433,086</u>	<u>35,514</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	(197,286)	<u>\$ (197,286)</u>
Reversions			<u>(35,514)</u>	
Change in fund balance per GAAP			<u>\$ (232,800)</u>	

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND (SHARE 55000) –
PUBLIC SAFETY (P612)**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Other financing sources	4,944,200	4,863,400	4,558,500	(304,900)
Federal funds	813,500	1,081,508	1,029,314	(52,194)
	<u>5,757,700</u>	<u>5,944,908</u>	<u>5,587,814</u>	<u>(357,094)</u>
Expenditures:				
Personal services	3,879,300	3,797,500	3,508,704	288,796
Contractual services	462,600	502,600	433,015	69,585
Operating costs	1,415,800	1,644,808	993,753	651,055
	<u>5,757,700</u>	<u>5,944,908</u>	<u>4,935,472</u>	<u>1,009,436</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	652,342	<u>\$ 652,342</u>
Reversions			<u>(964,167)</u>	
Change in fund balance per GAAP			<u>\$ (311,825)</u>	

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
GENERAL FUND (SHARE 55000) –
AGENCY SUPPORT (P613)**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ 1,302,600	\$ 1,282,600	\$ 1,282,600	\$ -
Other financing sources	511,800	511,800	511,800	-
Federal funds	-	-	-	-
Other fees	-	-	232,104	232,104
Total revenues	1,814,400	1,794,400	2,026,504	232,104
Expenditures:				
Personal services	1,587,100	1,527,100	1,519,458	7,642
Contractual services	75,800	50,800	43,883	6,917
Operating costs	151,500	216,500	202,178	14,322
Total expenditures	1,814,400	1,794,400	1,765,519	28,881
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	260,985	<u>\$ 260,985</u>
Reversion to the State General Fund			(29,485)	
Change in fund balance per GAAP			\$ 231,500	

State of New Mexico
Public Regulation Commission

NONMAJOR FUNDS

June 30, 2015

Fire Safer Cigarette and Fire Protection Fund. To account for revenue and other fees paid under Section 4 (57-2B-4 NMSA 1978) of the Fire-Safer Cigarette and Firefighter Protection Act and money recovered as penalties under Section 6 (57-2B-6 NMSA 1978) of that act. The money in the fund is appropriated to the state fire marshal to enforce the Fire-safer Cigarette and Firefighter Protection Act (57-2B-1 NMSA 1978) and to support fire safety and prevention programs. This fund is non-reverting. (SHARE Fund #10890)

Reproduction Fee Fund. To account for the revenue and related expenses of providing copying services to other state agencies, to the general public and to other divisions within the Public Regulation Commission. This fund is non-reverting. (SHARE Fund #47700)

State of New Mexico
Public Regulation Commission

COMBINING BALANCE SHEET – ALL NONMAJOR FUNDS

June 30, 2015

	Fire Safer Cigarette and Fire Protection - 10890	Reproduction Fund - 47700	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Investments, State Treasurer Investment Pool	\$ 535,013	\$ 181,805	\$ 716,818
Due from other funds	<u> -</u>	<u> 588</u>	<u> 588</u>
Total assets	<u><u>\$ 535,013</u></u>	<u><u>\$ 182,393</u></u>	<u><u>\$ 717,406</u></u>
FUND BALANCES			
Restricted	\$ 535,013	\$ -	\$ 535,013
Committed	<u> -</u>	<u> 182,393</u>	<u> 182,393</u>
Total fund balances	<u><u>\$ 535,013</u></u>	<u><u>\$ 182,393</u></u>	<u><u>\$ 717,406</u></u>

State of New Mexico
Public Regulation Commission

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – ALL NONMAJOR FUNDS**

June 30, 2015

	Fire Safer Cigarette and Fire Protection Fund - 10890	Reproduction Fund - 47700	Total
Revenues			
Other fees	\$ 27,000	\$ 3,352	\$ 30,352
Total revenues	27,000	3,352	30,352
Expenditures			
Personal services	-	-	-
Contractual services	-	-	-
Other costs	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	27,000	3,352	30,352
Other financing sources and (uses)			
Grants to local governments	-	-	-
Other financing sources - transfers in	-	588	588
Other financing uses - transfers out	-	(50,000)	(50,000)
Total other financing sources and (uses)	-	(49,412)	(49,412)
Special item			
Transfer of operations	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures	27,000	(46,060)	(19,060)
Fund balances, beginning of year	508,013	228,453	736,466
Fund balances, end of year	\$ 535,013	\$ 182,393	\$ 717,406

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
FIRE SAFER CIGARETTE AND FIRE PROTECTION FUND (SHARE 10890)**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other Fees	\$ -	\$ -	\$ 27,000	\$ 27,000
Expenditures:				
Other financing uses	-	-	-	-
Excess (deficiency) of revenues over expenditures (prior year fund balance required to balance budget)	-	-	\$ 27,000	\$ 27,000
Fund balance carryforward	508,013	508,013		
Total	\$ 508,013	\$ 508,013		

State of New Mexico
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
REPRODUCTION FUND (SHARE 47700)**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other fees - printing and reproduction	\$ 50,000	\$ 50,000	\$ 3,352	\$ (46,648)
Other financing sources	-	-	588	588
Total revenues	50,000	50,000	3,940	(46,060)
Expenditures:				
Other financing uses	50,000	50,000	50,000	-
Excess (deficiency) of revenues over expenditures	-	-	\$ (46,060)	\$ (46,060)
Fund balance carryforward	228,453	228,453		
Total	\$ 228,453	\$ 228,453		

State of New Mexico
Public Regulation Commission

AGENCY FUNDS

June 30, 2015

Agency funds are used to account for assets held as an agent for other governmental units, for claimants and for other funds. The agency funds of the Commission are as follows:

Motor Transportation Fund. To account for the collection and payment to the State Road Fund of monies received from both interstate and intrastate motor carriers. Collections are from permits, filing fees, and leases. (SHARE Fund #430-19000)

Fire Protection Fund. To account for the receipts from the Insurance Suspense Fund. The Fire Protection Fund distributes the monies collected for the operations of the State Fire Marshal and for the operations, maintenance, and betterment of local fire districts. Section 59A-53-5-2, NMSA 1978 provides that the remaining balance in the fire protection fund shall be calculated on June 30 of each year and shall equal the balance of the fund on that date less the sum of (1) the total amount to be distributed the succeeding fiscal year and (2) the total amount of other appropriations from the fire protection fund for the succeeding fiscal year. The remaining balance in the fire protection fund shall be transferred from the fire protection fund to the fire protection grant fund on a percentage basis on June 30 of each fiscal year as provided by Section 59A-53-5-2 NMSA 1978 (c). (SHARE Fund # 430-57800)

Special Corporation Fees Fund. To account for the collection and payment to the State General Fund of monies collected from railroads, telephone companies and radio communication carriers doing business within the State of New Mexico. Collections are from one-fourth of one percent of the gross receipts of the companies' business within the State of New Mexico. (SHARE Fund # 430-50600)

Qwest Performance Assurance Plan. To account for collection of Tier 2 payments received in conjunction with Qwest's application for approval under Section 271 of the Telecommunications Act of 1996. An agreement was formed requiring Qwest to meet certain parity and benchmark standards as defined in the agreement dated August 20, 2002. Failure to meet the specified criteria results in Tier 2 payments to the Fund. The fund reverts to the State General Fund. (SHARE Fund #430-30500)

Pipeline Fees Fund. To account for the collection and payment to the State General Fund of monies received from companies that conduct pipeline business in the State of New Mexico. Collections are from various fees set by state statute. (SHARE Fund # 430-50500)

Firefighters Survivors Fund. To account for funds deposited that will be distributed to firefighters' families. (Share Fund # 43040-56400)

State of New Mexico
Public Regulation Commission

COMBINING BALANCE SHEET – ALL AGENCY FUNDS

June 30, 2015

	<u>Motor Transportation - 19000</u>	<u>Fire Protection Agency Fund - 57800</u>	<u>Special Corporation Fees Fund - 50600</u>
ASSETS			
Investments, State Treasurer Investment Pool	\$ 2,121,168	\$ 76,837,682	\$ -
Due from other state agencies	-	18,865,950	-
Due from other agency funds	-	-	-
Total assets	<u>\$ 2,121,168</u>	<u>\$ 95,703,632</u>	<u>\$ -</u>
 LIABILITIES			
Due to State General Fund	\$ -	\$ 15,156,473	\$ -
Due to local governments	-	49,899	-
Due to external parties-governmental funds	-	7,635,215	-
Due to other state agencies	2,117,845	-	-
Undistributed receipts	-	24,782,430	-
Other liabilities	3,323	-	-
Accounts payable	-	48,079,615	-
Total liabilities and fund balances	<u>\$ 2,121,168</u>	<u>\$ 95,703,632</u>	<u>\$ -</u>

Qwest Performance Assurance Plan - 30500	Pipeline Fees Fund - 50500	Firefighters Survivors - 56400	Total
\$ -	\$ -	\$ 56,771	\$ 79,015,621
-	-	750	18,866,700
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,521</u>	<u>\$ 97,882,321</u>
\$ -	\$ -	\$ -	\$ 15,156,473
-	-	-	49,899
-	-	-	7,635,215
-	-	-	2,117,845
-	-	57,521	24,839,951
-	-	-	3,323
-	-	-	48,079,615
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,521</u>	<u>\$ 97,882,321</u>

State of New Mexico
Public Regulation Commission

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
ALL AGENCY FUNDS**

June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>MOTOR TRANSPORTATION (19000)</u>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 25,283	\$ 5,483,165	\$ (3,387,280)	\$ 2,121,168
Total assets	<u>\$ 25,283</u>	<u>\$ 5,483,165</u>	<u>\$ (3,387,280)</u>	<u>\$ 2,121,168</u>
LIABILITIES				
Due to other state agencies	\$ 25,283	\$ 7,604,333	\$ (5,511,771)	\$ 2,117,845
Accounts payable	-	3,323	-	3,323
Total liabilities	<u>\$ 25,283</u>	<u>\$ 7,607,656</u>	<u>\$ (5,511,771)</u>	<u>\$ 2,121,168</u>
<u>FIRE PROTECTION AGENCY FUND (57800)</u>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 72,461,145	\$ 78,013,510	\$ (73,636,973)	\$ 76,837,682
Due from other state agencies	699,699	18,865,950	(699,699)	18,865,950
Total assets	<u>\$ 73,160,844</u>	<u>\$ 96,879,460</u>	<u>\$ (74,336,672)</u>	<u>\$ 95,703,632</u>
LIABILITIES				
Due to State General Fund	\$ 16,082,190	\$ 15,156,472	\$ (16,082,189)	\$ 15,156,473
Due to other agency funds	28,694	49,899	(28,694)	49,899
Due to external parties - governmental funds	5,916,709	19,774,939	(18,056,433)	7,635,215
Undistributed receipts	5,471,000	133,259,229	(113,947,799)	24,782,430
Accounts payable	45,690,945	48,079,615	(45,690,945)	48,079,615
Total liabilities	<u>\$ 73,189,538</u>	<u>\$ 216,320,154</u>	<u>\$ (193,806,060)</u>	<u>\$ 95,703,632</u>
<u>SPECIAL CORPORATION FEES FUND (50600)</u>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ -	\$ 15,636,967	\$ (15,636,967)	\$ -
Total assets	<u>\$ -</u>	<u>\$ 15,636,967</u>	<u>\$ (15,636,967)</u>	<u>\$ -</u>
LIABILITIES				
Due to State General Fund	\$ -	\$ 15,636,967	\$ (15,636,967)	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 15,636,967</u>	<u>\$ (15,636,967)</u>	<u>\$ -</u>

State of New Mexico
Public Regulation Commission

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
ALL AGENCY FUNDS – CONTINUED**

June 30, 2015

	Balance July 1, 2014	Additions	(Deletions)	Balance June 30, 2015
<u>QWEST PERFORMANCE ASSURANCE PLAN (30500)</u>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ -	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES				
Due to State General Fund	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -
<u>PIPELINE FEES (50500)</u>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ -	\$ 196,416	\$ (196,416)	\$ -
Total assets	\$ -	\$ 196,416	\$ (196,416)	\$ -
LIABILITIES				
Due to State General Fund	\$ -	\$ 196,416	\$ (196,416)	\$ -
Total liabilities	\$ -	\$ 196,416	\$ (196,416)	\$ -
<u>FIREFIGHTERS SURVIVORS (56400)</u>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 21,306	\$ 35,465	\$ -	\$ 56,771
Due from other state agencies	750	-	-	750
Due from other agency funds	28,694	-	(28,694)	-
Total assets	\$ 50,750	\$ 35,465	\$ (28,694)	\$ 57,521
LIABILITIES				
Undistributed receipts	\$ 100,750	\$ 64,159	\$ (107,388)	\$ 57,521
Accounts payable	-	50,000	(50,000)	-
Total liabilities	\$ 100,750	\$ 114,159	\$ (157,388)	\$ 57,521

State of New Mexico
Public Regulation Commission

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
(EXCLUDING GRT)
(UNAUDITED)**

As of June 30, 2015

Public Regulation Commission

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
(EXCLUDING GRT)
(UNAUDITED)**

As of June 30, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work

No contracts exceeded \$60,000 in the current year.

State of New Mexico
Public Regulation Commission

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2015

Federal Grantor/ Pass Through Grantor/Program Title	Grant Number or Pass Through Number	Federal Catalog of Domestic Assistance Number	Total Federal Award Expenditures
U.S. Department of Transportation:			
Direct Programs:			
Gas Pipeline Safety	DTPH56-14-G-PHPG28	20.700	\$ 308,100
Gas Pipeline Safety	DTPH56-15-G-PHPG28	20.700	301,750
Hazardous Liquid Pipeline Safety	DTPH56-14-G-PHPL08	20.700	32,802
Hazardous Liquid Pipeline Safety	DTPH56-15-G-PHPL08	20.700	28,118
			<u>670,770</u>
Damage Prevention Pipeline Safety	DTPH56-14-G-PHPS16	20.720	35,226
Damage Prevention Pipeline Safety	DTPH56-15-G-PHPS16	20.720	50,000
			<u>85,226</u>
Gas Pipeline Safety (One-call)	DTPH56-14-G-PHPC20	20.721	37,375
Gas Pipeline Safety (One-call)	DTPH56-15-G-PHPC20	20.721	22,500
			<u>59,875</u>
Total U.S. Department of Transportation			815,871
U.S. Department of Energy:			
Pass-through programs:			
State of New Mexico, Energy, Minerals, and Natural Resources Department Waste Isolation Pilot Plan Enhancement of the State of New Mexico's Emergency Response Capability	DE-FC29-88AL53813	81.106	<u>195,408</u>
Total U.S. Department of Energy			195,408
U.S. Department of Homeland Security:			
Direct Programs:			
State Fire Training Systems Grants	EMW-2014-GR-00023	97.043	<u>18,035</u>
Total U.S. Department of Homeland Security			18,035
Total expenditures of federal awards			<u>\$ 1,029,314</u>

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards was prepared using the modified accrual basis of accounting. The Department did not receive any federal awards in the form of noncash assistance or loan assistance during the year.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Public Regulation Commissioners
State of New Mexico
Public Regulation Commission
and
Mr. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparison for the General Fund and Major Special Revenue Funds, and the aggregate remaining fund information of the State of New Mexico Public Regulation Commission (the Commission), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We have also audited the financial statements of each of the Commission's non-major governmental funds and respective budgetary comparisons presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents, and have issued our report thereon dated December 1, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

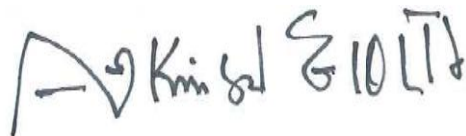
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Commission's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
December 1, 2015



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Public Regulation Commissioners
State of New Mexico
Public Regulation Commission
and
Mr. Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico Public Regulation Commission's (the Commission) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2015. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of *Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

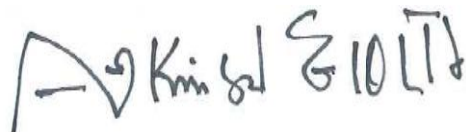
Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
December 1, 2015

State of New Mexico
Public Regulation Commission

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program	Questioned Cost
20.700	Department of Transportation: Gas Pipeline Safety and Hazardous Liquid Pipeline Safety	None

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended June 30, 2015

II. Status of Prior Audit Findings

<u>Comment</u>	<u>Current Status</u>
14-01 Capital Asset Additions (Significant Deficiency)	Resolved
14-02 Unauthorized Use of State Vehicle	Resolved

III. Current Audit Findings

Financial Statement Findings Required by *Government Auditing Standards*

2015-001 Financial Close and Reporting (Significant Deficiency)

Findings in Accordance with OMB Circular A-133

None

Findings in Accordance with 2.2.2. NMAC

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the year ended June 30, 2015

Financial Statement Findings Required by *Government Auditing Standards*

2015-001 FINANCIAL CLOSE AND REPORTING (SIGNIFICANT DEFICIENCY)

CONDITION

Year end closing entries and a set of closed account balances were not available in a timely manner and auditor assistance was required in preparation of some closing entries.

CRITERIA

The Committee of Sponsoring Organizations (COSO) internal control framework provides guidance for internal control and requires individuals in the financial close process have adequate knowledge, skills and experience to close the books.

EFFECT

There was a significant delay in obtaining final closed numbers to be audited and the general fund reverted approximately \$311,000 more than it should have creating a deficit fund balance in that fund.

CAUSE

Key positions in the financial close process were vacant during the year, and no individuals were cross trained to fulfill these duties.

RECOMMENDATION

We recommend that cross-training occur to enable the financial close of the Commission's fiscal year in cases of turnover of key personnel.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

The Administrative Service Division Director/Chief Financial Officer has been vacant since March 27, 2015. NMPRC is in the process of hiring this position. The Commission acknowledges that cross training of staff is imperative to the accuracy, integrity and maintenance of financial data. NMPRC will implement a cross training program in the Finance Bureau by the end of FY2016 to allow the Bureau to financially function with given staff while maintaining separation of duties. The areas of cross training will include: requisitions, purchase orders, vouchering, budget adjustment requests, fleet management, budget request preparation, operating budget submission, general ledger, budget forecasting, year-end close and grant/fund management. In addition, NMPRC acknowledges that timely preparation of year-end closing entries and closed account financial data by knowledgeable and skilled individuals is a requirement of Government Auditing Standards. For the remainder of FY2016, the Finance Bureau will create and use sub-schedules to account for financial activity of federal grants, operating budget and funds over the fiscal year. Federal grant management will include the use of receivables in SHARE to track request and receipt of federal funds. This procedure should create timely reliable data that can be used as part of the year-end close.

POINT OF CONTACT

Andrea B. Dellling, Interim Chief of Staff

State of New Mexico
Public Regulation Commission

FINANCIAL STATEMENT PREPARATION

June 30, 2015

The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Commission's CFO. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.

EXIT CONFERENCE

An exit conference was held on November 30, 2015, in a closed session to discuss the audit. The following individuals were in attendance, comprising a quorum of the Commission:

State of New Mexico – Public Regulation Commission

Karen L. Montoya	Chair
Valerie Espinosa	Commissioner
Patrick H. Lyons	Commissioner
Donald Martinez	ASD - Financial Manager
Andrea Delling	Interim Chief of Staff

Independent Auditor – Atkinson & Co., Ltd.

Martin Mathisen, CPA, CGFM	Audit Director
Sarah Brack, CPA, CGFM, CGMA	Audit Manager
Brett Bauer, CPA	Audit Senior

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